

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Rehabilitation of
Tufts Health Plan of New England, Inc.

Docket No. 99-E-0410

VERIFIED PETITION FOR LIQUIDATION

1. The Rehabilitator states that by Order of this Court dated November 22, 1999 Paula T. Rogers, Commissioner of Insurance for The State of New Hampshire, was appointed Rehabilitator of Tufts Health Plan of New England, Inc., a New Hampshire corporation (hereinafter referred to as "TNE") pursuant to RSA 402-C:15 and 402-C:16.

2. Pursuant to RSA 402-C:19 the Rehabilitator further states that for the following reasons further attempts to rehabilitate TNE would substantially increase the risk of loss to creditors, policyholders or the public or would be futile.

A. Based upon the advice and analysis rendered by the Rehabilitator's financial expert, and the accompanying affidavit of Charles M. Schneider, Special Deputy Rehabilitator, TNE is insolvent within the meaning of RSA 402-C:3 XIV, and is in such condition that the further transaction of business would be hazardous, financially or otherwise, to its policyholders, its creditors, or to the public, within the meaning of RSA 402-C:20II and IV.

B. Despite the efforts by the Special Deputy Rehabilitator and the staff of the Insurance Department to correct TNE's financially impaired condition, or to arrange a sale of TNE or reinsure its liabilities in bulk, no such transaction can presently be arranged on terms that would form the basis of a feasible plan of rehabilitation.

C. Continuation of the present rehabilitation under these circumstances would only extend and deepen TNE's surplus deficiency to the detriment of its subscribers, providers and other creditors.

3. Pursuant to RSA 402-C:20, I, the Rehabilitator further states that at least two-thirds of the directors of TNE consented to a petition for and the Rehabilitator believes that, based on the foregoing, further attempts to rehabilitate TNE would substantially increase the risk of loss to its creditors, its policyholders or the public or would be futile.

4. The Rehabilitator further states that there exists a present necessity for entry of an Order of Liquidation, to be effective on January 3, 2000, to further safeguard the interests of subscribers, policyholders, creditors and the public. The Rehabilitator further states that in order to maximize the duration of available coverage under policies and contracts issued by TNE consistent with RSA 402-C:22, and to minimize the degree of disruption faced by TNE's subscribers and providers, the entry of the Order of Liquidation should occur on January 3, 2000 with coverage to continue through February 2, 2000.

5. The Rehabilitator further states that a health maintenance organization's network of participating healthcare providers is a unique and critical component. The Rehabilitator is deeply concerned by the increasing erosion of the TNE provider network. The Rehabilitator further states that consistent with the priorities of distribution set forth in RSA 402-C:44 she intends to treat healthcare claims of subscribers (including group contractholders) and providers for services rendered up to December 20, 1999 as policy related claims entitled to second priority. She further intends to treat as administration costs entitled to first priority claims of TNE participating healthcare providers for service rendered to subscribers and members from December 20, 1999 through February 2, 2000, if and to the extent that such services are rendered pursuant to the terms and conditions of the subscriber policies in effect at the time services are rendered, and further provided that reimbursement shall be made in accordance with the terms of the provider agreements in effect on November 22, 1999. The Rehabilitator further states that continuity of care, which must be one of her chief concerns, can only be achieved if such providers are assured of receiving fair and equitable payment in this proceeding for rendering medically necessary services to TNE subscribers during this specified period.

6. The Rehabilitator further states that she shall, by separate motion, submit to this court a proposed Administrative Services Agreement between the Rehabilitator and Tufts Associated Health Maintenance Organization, Inc. or its affiliate which shall provide for the continuation of administrative services to TNE through the course of the liquidation in a manner, form and cost consistent with the best interests of TNE's subscribers, providers, and other creditors.

WHEREFORE, the Rehabilitator, pursuant to the provisions of RSA 402-C:19 and 402-C:20, prays for the following relief:

(a) A finding that sufficient cause exists for the liquidation of TNE;

(b) An Order of Liquidation of TNE appointing Paula T. Rogers and her successors in office as Liquidator of TNE, effective on January 3, 2000, with all of the powers specified in 402-C: 25 I through XXII to the same extent as if fully set forth herein, and directing the Liquidator forthwith to continue to take possession of the assets of TNE and to administer them under the orders of the Court;

(c) An Order, appointing Paula T. Rogers, Commissioner of Insurance, as Liquidator of TNE, by which, pursuant to RSA 402-C:28, all actions and proceedings against TNE shall be abated, except upon further order of this Court, and authorizing the Liquidator to intervene in any action or proceeding against TNE outside of New Hampshire whenever in the Liquidator's judgment such intervention is necessary to protect TNE's estate;

(d) An Order directing the continuation of coverage under policies and contracts issued by TNE for a period of 30 days from the date of entry of the Order, pursuant to RSA 402-C:22 I;

(e) An Order approving the recommendation of the Liquidator that claims incurred by TNE participating healthcare providers for rendering medically necessary services (pursuant to the terms and conditions of the subscriber policies in effect at the time such services are rendered and reimbursable in accordance with the provider agreements in effect on November 22, 1999) to TNE subscribers between December 20, 1999 through February 2, 2000 be deemed costs of administration pursuant to RSA 402-C:44 and 402-C:45;

(f) An Order directing the Liquidator to file financial reports within one year and at least annually thereafter during the pendency of the liquidation proceedings, pursuant to RSA 402-C: 21 V,

(g) An Order continuing in full force and effect the injunctive provisions (f) through (h) (7) of the Order of Rehabilitation of this Court dated November 22, 1999, except that the term "Liquidator" shall be substituted for the term "Rehabilitator" appearing in such provisions; and an Order, pursuant to RSA 402-C:5 enjoining, pending the resolution of the TNE liquidation proceeding, any and all of the following:

(1) the transaction of further business by TNE, other than the payment of claims and expenses as approved by the Liquidator or her designees;

(2) the transfer of TNE's property (except upon consent of the Liquidator and upon such court approval as may be required);

(3) the interference with the Liquidator or with these proceedings;

(4) the waste of TNE's assets;

(5) the dissipation and transfer of TNE's bank and securities accounts, except as approved by the Liquidator or her designees;

(6) the institution or further prosecution of any actions or proceedings against TNE or against any person or entity against whom the Liquidator is empowered to pursue under RSA 402-C:25 XIII and XVIII, without further order of this court;

(7) the obtaining of any preferences, judgments, attachments, garnishments or liens against TNE or TNE's assets;

(8) the levying of execution against TNE or its assets;

(9) the making of any sale or deed for nonpayment of taxes or assessments that would lessen the value of TNE's assets;

(10) the withholding from the Liquidator of books, accounts, documents or other records relating to TNE's business; or

(11) any other threatened or contemplated action that might lessen the value of the insurer's assets or prejudice the rights of policyholders, subscribers or creditors or the administration of the proceedings; and

(h) An Order including such other or further relief as to the Court seems just and proper under the circumstances.

Respectfully submitted,

PAULA T. ROGERS, COMMISSIONER OF
INSURANCE, AS REHABILITATOR OF
TUFTS HEALTH PLAN OF NEW
ENGLAND, INC.

By her attorneys

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Dated: December 20, 1999

STATE OF NEW HAMPSHIRE
MERRIMACK COUNTY SS

CERTIFICATION OF VERIFICATION

Paula T. Rogers, being first duly cautioned and sworn according to law, says that she is the duly appointed Commissioner of Insurance of the State of New Hampshire and the duly appointed Rehabilitator of Tufts New England Health Plan, Inc. and that the facts and all allegations made in the Petition are all true as she verily believes.

Paula T. Rogers

Sworn and subscribed to before me on this 20th day of December, 1999

December 20, 1999

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served by hand on Connie Rakowsky, Esquire, counsel of record.

Martin P. Honigberg